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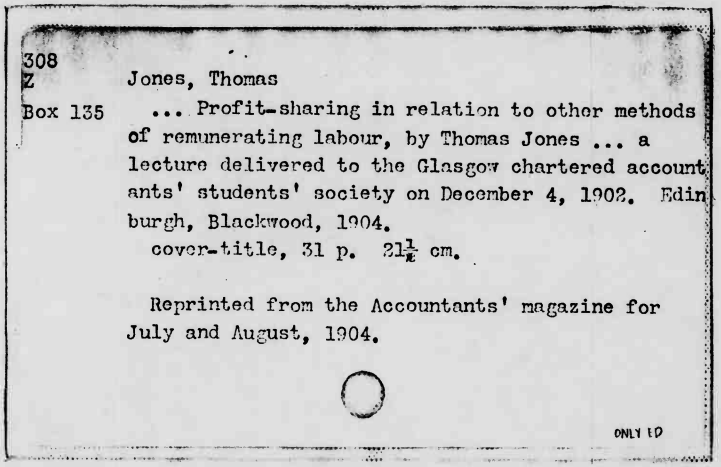

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Profit-Sharing in Relation to other Methods of Remunerating Labour

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BY

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A Lecture delivered to the Glasgow Chartered Accountants' Students' Society on December 4, 1902

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PROFIT-SHARING IN RELATION TO OTHER METHODS OF REMUNERATING LABOUR.

I.

THE approved text on which to hang a discourse on Profit-Sharing is a passage in J. S. Mill's 'Political Economy.' We may as well quote it at once: "There can be little doubt that the status of hired labourers will gradually tend to confine itself to the description of work-people whose low moral qualities render them unfit for anything more independent, and that relations of masters and work-people will be gradually superseded by partnership in one of two forms—in some cases association of the labourer with the capitalist; in others, and perhaps finally in all, association of labourers amongst themselves." Thus wrote Mill, more than fifty years ago, of the probable future of the labouring classes. The other day the following passage occurred in the Message of the President of the United States: "How to secure fair treatment alike for labour and capital, and how to hold in check unscrupulous men, whether employer or employee, without weakening individual initiative and without hampering and cramping the industrial development of the country, is a problem fraught with great difficulties, and one which it is of the highest importance to solve on the lines of sanity and far-sighted common-sense, as well as of devotion to right." It is not usual that Messages, be they royal or republican, are illuminating; but the pious aspiration of the President suits our present purpose well enough, for it shows that in the years which separate Mill from us the "widening and imbittering feud" of which he wrote has not been healed. The conflict of rival interests—producer and consumer, paymaster and wage-earner, co-operator and private trader—continues to disturb

our social peace, and provides abundant occupation for reformers, politicians, and economists.

No thinking man pretends to be quite satisfied with our present system of wealth production and distribution. The best that its apologists have to say for it is that, in the concrete, most of us get our breakfast with unfailing regularity, and, in the abstract, we are secured a somewhat rough justice; the worst, that "one-third of the population are on or about the line of poverty, or are below it"; while a sober economist like Marshall once declared that "in a sense he is a socialist, for he believes that almost every existing institution must be changed." Plainly there is conflict, and there must be conflict so long as we have in our midst men who believe that the achievements of the human spirit in art and science and morals warrant them in hoping for a nobler industrial life than any now existing.

How does the conflict arise? Briefly, in this way. Society in its economic aspect is an organisation for the satisfaction of wants—*i.e.*, for the making of goods and the rendering of services necessary for the upkeep and renewal of human life. These goods and services constitute our national income or dividend. "The labour and capital of the country, acting on its natural resources, produce annually a certain net aggregate of commodities, material and immaterial, including services of all kinds. This is the true net annual income of the country, or the national dividend." Land, labour, capital, and the power which co-ordinates these three, have gone to its production. Land, labour, capital, and organising power are supplied by the human beings who have to live on this national income. What share is each to get of the dividend? The strife arises in the sharing out of the net proceeds of the year's work, of the nation's product. Rent, wages, interest, and profits are the orthodox names for the four great shares. The receivers of wages are men like unto the receivers of rent, interest, and profits; but they are more in number, and their share per man is smaller. The wage-earners have always been men of like flesh and blood with the receivers of rent, interest, and profits; but it is only within recent times that they

have exhibited any widespread and effective consciousness of the fact. Excluded for long ages from political power and intellectual pursuits, they remained ignorant of their highest interests, and impotent to advance them. At last they are coming into their kingdom. In ever-increasing numbers they are able to appreciate the good things of this life,—sunshine and elbow-room, comfortable homes and interesting work, leisure to welcome friends and to see the world. But all this means a bigger share of the dividend than hitherto, obtained possibly, but not necessarily, at the expense of the other sharers. Let us hear another American president, Mr Gompers of the Federation of Labour: "The workers are sometimes accused of unwillingness to concede [the demands of the employers]. To this we answer, that so far as it is possible the workers ought not to concede—in fact, they have so little that they have exceedingly little to concede. The cry of the toilers is for more! The organised movement of the workers is to obtain more of the advantages which result not only from their labour but from the combined genius of the past and present." Perhaps such a frank declaration may shock the reader. But while we may regret the fallacious economics and personal bitterness often shown by the leaders of the workers in their struggles with the holders of property, surely there need be nothing surprising or shocking in their desire and determination to possess more of life's good things. Rather, an impartial spectator, could he be found, might well marvel at the quiescence of the multitude of toilers, perplexed whether to regret the sluggishness of their desires or to admire the excellence of their self-control in the presence of the world's wealth.

II.

Such, then, is the problem in bold outline. The illustration of the national dividend cut up into four unequal slices at the year's end presents only the essentials of the problem, however, and in too simple and static a fashion to correspond exactly to the continuous complex processes

of industrial life. It is not as easy a matter as quartering a Christmas pudding. Many who help to make this colossal pudding would starve before Christmas came round. They must get their share in daily or weekly portions. In fact, they eat their pudding before they have it! The sower gets his wage before the flour is milled, the rivetter his pay months before the ship even leaves dock to seek the spices of the East. Metaphors aside, the chief characteristics of modern industry are that a long period elapses between the inception and the completion of a commodity; that while the pay of the workers must ultimately come out of the national product, it is difficult to trace the precise contribution of each; that if they were to wait until that were ascertained (assuming it to be possible), most of them would perish. The share of the product given in anticipation to the seller of labour is a matter of contract, and is called wages. The wages contract is, from one standpoint, an arrangement for overcoming the lack of waiting power in the labourers; from another, it is a rough-and-ready method of paying for a contribution the extent of which cannot be accurately measured. The seller of labour is almost always dissatisfied, either with the amount of his wages or with the wages system itself. He wants a bigger share of the dividend, and for over a century he has been actively devising means of enlarging his slice. He, and those who sympathise with him, have invented manifold expedients for bettering his position.

One of these expedients we have to discuss in detail. But let me urge at this point that we cannot understand the labour movement of the nineteenth century without remembering that it has other than purely economic aspects. It has been permeated by democratic and humanitarian ideals, and these political and moral forces have had much to do with determining the character of the expedients by which the seller of labour has tried to raise himself. It is true that no industrial method, however moral, is likely to prevail widely and permanently unless it can be made to pay in increased net product. It is also true that the present system of production and distribution rewards economic service rather than moral excellence. But it does not follow that the most democratic and, at the same time, most moral system of industry would not yield the biggest dividend. It may be, as Professor Nicholson has urged, that we greatly underrate the economic value of moral forces. Be that as it may, to understand the industrial projects and aspirations of the workers we must bear in mind the spread of democracy in the State and in the Church.[1]

Sometimes the aim of these projects has been to supersede the wages system, oftener to modify it. The question is one of ideals. The trade unionist accepts the distinction of employer taking profits and employee receiving wages. He seeks to better the system by collective bargaining and labour laws. At the other extreme are the co-operators, with methods and motives so varied that their friends are doubting whether such a motley crowd can long continue to compete with one another "under the old Rochdale umbrella." "Every man his own M.P.," said Rousseau in effect. "Every man his own employer," or "the republic in the workshop," is the goal of the co-operative producer. To him the receipt of wages is degrading, and distributive co-operation "mere shopkeeping, lacking the qualities necessary to stir the soul." The co-operative consumer, on the other hand, with self-control of expenditure and the elimination or diversion of profit as his ideals, claims to be the genuine apostolic successor of the pioneers of Toad Lane. "The co-operative store," he maintains, "is the only true democracy, for with its lists ever open to new members, its only limit is the whole population. Although every consumer is or should be a producer, his interests as consumer are of far wider economic range than his interests as producer; and if in one capacity he can hold the community at his mercy, in all others he is at the mercy of the

[1] "The most significant fact of modern Christian history is that, within the last hundred years, many millions of our own race and our own Church, without departing from the ancient faith, have slipped from beneath the inelastic framework of the ancient organisation and formed a group of new Societies on the basis of a closer Christian brotherhood and an almost absolute democracy." —Hatch, 'Bampton Lectures,' p. 220.

producers." To organise men as producers is to set up oligarchies; to organise them as consumers is to choose the broadest basis possible. Intermediate between trade unionism and co-operation we have various minor schemes for the adjustment of wages and the sharing of profits: *sliding-scales* in the coal trade, in which wages move up and down in response to the rise and fall of prices; *alliances* in the bedstead workshops of Birmingham, where masters and mechanics unite to keep up prices against the consumer; *profit-sharing*, in which employers give a direct dividend to labour in addition to the market wages ruling in the trade; *labour co-partnership*, whereby the workers share in the management as well as in the profits of the concern; and lastly, *prosperity-sharing*, or an indirect dividend to labour in the shape of voluntary contributions from employers towards the creation and support of recreative and provident institutions likely to increase the efficiency of the labourer.

III.

It is related that when a Leeds manufacturer was once showing Robert Owen over his mills, he remarked, "If my people were to be careful and avoid waste, they might save me £4000 a-year." Owen replied, "Well, why don't you give them £2000 to do it? And then you yourself would be the richer by £2000 a-year." That observation contains the kernel of all profit-sharing schemes. Socialists and co-operators alike often trace their descent from the shrewd Celtic idealist. Profit-sharers might do likewise with as much justification, for, as Mr Gilman points out, the establishment at New Lanark was not conducted on Socialistic lines, but under a system of what would now be called "collective profit-sharing," according to which the profits of the business, after securing a fixed moderate return to capital and salary to management, went entirely to the work-people. Owen entered "upon the government of New Lanark about the first of January 1800." Twelve years later, Napoleon, by the "Decree of Moscow," made the profits earned by the Théâtre Français part of the remuneration of the actors. There are other examples of profit-sharing earlier than that of Leclaire, who is usually regarded as the founder of the method, but who did not introduce it into his business until 1842.

Leclaire's career has often been described, and need only be summarised here. He was a shoemaker's son, who fought his way up from the ranks and became a successful captain of industry. Born in 1801, he left school at ten, with the minimum of knowledge, and divided the next seven years of his life between minding cattle and tending masons. At seventeen he ran away to Paris and became apprenticed to a house-painter. Here he rose early, worked hard, ate little and bolted that, saved much, took lessons, read everything, never complained, and did all the other incredible things—except marrying his master's daughter — common to the heroes of Dr Smiles. Unlike some of them, he retained a vivid recollection of his earlier struggles, — of the misery caused by sickness, lack of employment, the burden of infirm parents. "To know the workman," he wrote, "one must have been a workman himself, and above all *remember it:* as for many, from the day they are no longer workmen they believe themselves made of quite other dough than their old companions in the workshop." At twenty-two he married, at twenty-six he started in business on his own account. His mind was saturated with the ideas of social reconstruction which filled Paris in the 'Thirties and 'Forties. His energy and zeal infected his workmen, and the business flourished so greatly that for years prior to the introduction of profit-sharing it stood in the front rank in the trade. In 1840 he unfolded his scheme of profit-sharing to his leading workmen. He calculated that if each of his 300 employees worked with greater zeal and intelligence, wasted less material and spoiled fewer tools, thousands a-year would be saved to the firm. In order to call forth this greater activity and economy, he determined—at no cost whatever to himself, and without in the least surrendering his authority as master of the business—to offer the employees a share of the extra profits which their extra zeal was to create. If these extra profits were to be wholly divided

among those whose labour produced them, the employer would lose nothing; while if only a portion of the fresh fund went to the workmen, they would still be better off than under a system of simple wages. So ran the theory.

The *Maison Leclaire* still flourishes, and since the death of the founder the workmen have taken an increasing share in the direction of the concern, through various committees of their own choosing. Three-quarters of the yearly profits, whatever they may be, fall to the men, directly or indirectly. The other features of the establishment are recounted by Mr Gilman as follows: The workman receives at least as high wages as are generally paid in Paris, and in addition a bonus which has varied from 12 to 24 per cent. In case of sickness he gets five francs a-day from the Mutual Aid Society and other sources. If permanently disabled through disease or injury, he comes into a pension of 1200 francs a-year, one-half of which is continued to his children during their minority, or to his widow for life. He is entitled to retire on the same pension when he has been twenty years in the service of the house and is fifty years old. His sons, if he desires it, will be taken by preference as apprentices; they will receive pay from the first, increasing in proportion to the value of their services. Classes for technical instruction are provided for them. At his death 1000 francs, the amount of his life insurance, will be paid to his family, and his funeral expenses defrayed. There is no inducement to strike among the 800 employees, since wages always range as high as in any other shop in the city. Cases of misconduct and disagreement are dealt with by a Conciliation Committee. Of this committee the two managing partners are, *ex officio*, chairmen; of the other eight members, five must be overseers.

Speaking generally, profit-sharing has been an afterthought in the history of well-established concerns, rather than a factor in making them successful. Exceptional employers, influenced by humane as well as economic motives, have sought to quicken the interest and energy of their dependents by sharing profits and establishing welfare-institutions. They have hoped in this way to keep down

expenses of production, to attach the workmen to themselves in friendly co-operation, to lessen industrial strife, to promote thrift — in a word, to overcome the defects of the ordinary wages system. The example set by the *Maison Leclaire* has been followed by some 400 firms in Europe and the States. It was to be expected that in applying a common principle to a great variety of industries many differences of detail would reveal themselves. As we have seen, the common principle is that there should be a definite predetermined share of the net gains of the business allotted to the employee in addition to his wages. Of the innumerable methods by which it has been sought to give effect to this principle, we can only mention the chief.

Take, first, the ways of reckoning the amount available for division among the employees. According to the accepted definition, they create a fresh fund of profit. They may receive the whole or some stipulated fraction of this. It is rarely possible to determine, with any exactness, the amount due to their increased and collective exertions. It is still more difficult to trace the contributions of individuals. Two estimates have thus to be made,—the total amount to be divided, and the share of each person. The former is arrived at in the most heterogeneous ways. Sometimes it is the whole or a percentage of net profits, according as we define that slippery term. The bonus to wages may be the net surplus remaining after deducting from gross revenue some or all of the items which enter into expenses of production, as variously understood,—rent, rates and taxes, wages and salaries, a minimum rate of interest on capital, a depreciation fund, a reserve fund out of which bonuses may be paid in lean years. Sometimes the employer reserves out of gross earnings a fixed proportion to cover all the above outgoings, and including a definite salary or rate of profit for himself. All above this "reserved limit" is divisible among the employees. Or, again, profits are shared equally between capital and labour in the precise ratio in which each, calculated in money, has entered into the process of production. "The more or less liberal intentions of the founder of the practice are not the sole factors" to regulate the proportion

of total profits which should go to the employees. "Other factors have to be considered, such as the relative amount of capital and labour employed, also the relative value of managing skill, of technical knowledge, of commercial aptitude, the amount of risk incurred, &c. This will readily explain how it comes about that in building or house-painters' work, in which much hand labour is performed with the help of only comparatively few, and only cheap and simple instruments, the proportionate share of profits may be larger than in printing or spinning works, or in a metal foundry, in which a costly plant constitutes one of the main elements of production. Or, again, in a simple shop, in which the manager shares the labours with an efficient staff of buyers and salesmen, than in a financial company in which profits are, above all things, dependent upon the skill shown by the head of the house and operations involve serious risk." [1]

Assuming that the total fund of profit to be shared has been ascertained, consider next the ways of computing the share of each and the modes of payment. Here, again, there is considerable divergence according to the kind of business. The amount of wages earned usually serves as the measure of bonus gained. Other tests adopted are the importance of the post occupied, the amount of sales, the period of employment, age, sex, faithfulness and ability in the discharge of duties. The modes of payment fall into three main divisions: the bonus is paid at once in cash; or it is transferred to a provident fund temporarily, with a view to encourage thrift; or lastly, it is credited to the employee in shares of the company. In France, Professor Gide tells us, the share in profits generally assumes the shape of a deferred payment, a contribution held back for the receiver's benefit, and paid into a provident fund. The provident fund of the *Maison Leclaire* now amounts to more than three million francs; that of the *Compagnie d'Assurances Générales* to more than ten million francs; while the Suez Canal Company has, since it introduced profit-sharing in 1865, built up a provident fund of fifteen million francs. These funds are

[1] Guide Pratique pour l'Application de la Participation aux Bénéfices.

usually administered by committees, on which the employees are fully represented. In Germany, where insurance against sickness and accident is already organised by the State, accumulated profits are often used for the purchase of life annuities and old age pensions. In the United Kingdom, on the other hand, Mr Schloss reports that in about two-thirds of all existing schemes the bonus is paid entirely in cash, while a few credit the bonus to a provident fund, and still fewer invest it for the employees in shares in the business. In the United States the bonus is almost always paid in cash. In the well-known case of the South Metropolitan Gas Co., employing about 4000 men, we find a combination of three methods for binding together the interests of the employers and employed: profits are shared among the workmen, workmen are encouraged to deposit their shares at interest or to invest them in the company's stock, and workmen who are shareholders elect two of the nine directors. Similar plans have been adopted by Armstrong, Whitworth, & Co., and by the United States Steel Corporation. They are really examples of Labour-Co-partnership, with capital as the predominant, rather than the equal, partner of labour. They invest the tool with the dignity of manhood, and glorify labour with the magic of partnership. This, being interpreted, *may* mean that the labourer barters his freedom to change jobs and to criticise conditions for an infinitesimal share in the control of the concern.

Labour-copartnership may be an advance on profit-sharing, but it involves us in fresh difficulties. Mr Lever's questions are to the point: Why should the workman be urged to invest his savings in the factory in which he is employed? Why should he not seek the largest return in interest, combined with security? Why should he put all his eggs in one basket? Suppose he should lose his money and his situation at the same time? In his recent address, as President of the Iron and Steel Institute, Mr Carnegie voiced the same objections: "The majority of the largest manufacturing concerns in the United States have, at some period in their career, either been in the hands of re-

ceivers, been mortgaged, reorganised, or sold by the sheriff, to the great loss of their original owners. Indeed, those which have escaped financial trouble are the exceptions. . . . The workman whose thoughts are upon the speculative surprises of the stock exchange will not prove desirable. . . . If the investment of the workman's savings be made secure, the rapid extension of the plan seems certain, and can be hailed with unalloyed satisfaction; but in its present form it is obviously incapable of general application, since the officials of few corporations could or would incur the responsibility of inducing their workmen to invest in their shares as a security, and few corporations could or should inspire the needed confidence of labour that these are to enjoy an unbroken career of prosperity, for such has not been the history of manufacturing concerns generally."

An illustration drawn from Switzerland is in place here. Messrs Billon & Isaac, musical-box makers, Geneva, introduced profit-sharing in 1871. Under their system one-half of the net profits was equally divided between the shareholders and the managers, and the other half went to the employees in sums proportionate to wages earned. Half the portion falling to the workman's share was paid in cash, and the remaining half was retained by the firm and invested in the purchase of 100-franc shares in the company. For many years the scheme worked well, despite considerable fluctuations in trade, and consequently in profits. Bonuses mounted up sometimes to 28½ per cent on wages, sometimes sank to nothing. In bad years the firm bought in the workman's stock as far as convenient, and thus the invested shares served the purpose of a provident fund in slack times. During the last two decades, under the influence of adverse tariff arrangements, the fate of the musical-box making industry has become highly precarious, bonuses have disappeared, and the number of employees has dwindled. "Under such circumstances," relates Professor Böhmert, "an embarrassing consequence revealed itself—which is, of course, not attributable to profit-sharing in itself, but certainly to the particular method of investment of profit-bonuses adopted—namely, in shares in the firm. The workmen shareholders,

lacking, of course, the insight which the directors possessed, and which in bad times is of particular importance, actually hindered the free development of the business in accordance with altered markets. Herr Billon arrived at the conclusion that, although it would certainly be desirable to retain profit-sharing, yet that shares in the business could be allotted to workmen, if at all, only on condition of their conferring no right whatever to a voice in the management."

Whether the bonus to labour should be paid in cash or into a thrift fund is, after all, a matter of expediency, to be settled mainly by the character of the recipients. Many of us wish to see democracy thoroughly applied to industry; but the principle of democracy does not prescribe methods in detail, and the principle itself is transformed as it is being explicated in practice. When we come down from the mount of philosophic vision, we have to deal with many maimed and halt and blind. "Increase of wealth brings happiness only when the power to use it wisely is present." What may be good for the makers of soap at Port Sunlight may not be equally good for the makers of gas at the Crystal Palace. One grade of workers may be able to dispense with advice in the matter of savings and investments, while a lower grade may climb higher with the aid of a manager who is also its stockbroker. To pay the bonus at once in cash is "to trust the people," and to tempt many of them into improvidence and high living for a season; to pay the bonus into a savings bank account and lock it there out of immediate and easy reach savours of tutelage, but may be an expeditious path to liberty at certain levels of industrial development; to convert bonuses into shares in competitive industries may well seem to some employers to be adding the distractions of the money market to minds already too much preoccupied in working-hours with the "latest winners" and the "football edition."

IV.

From the days when, nearly sixty years ago, Leclaire in France, Von Thünen in Germany, and Mill in England preached or practised profit-sharing, high hopes of its possibilities have been held by many economists and enlightened employers. Have these hopes been fulfilled? First, let us take the evidence of statistics as presented to the International Co-operative Congress held at Manchester in July 1902. In the British Empire less than a hundred firms, affecting some 50,000 persons, are known to have profit-sharing schemes in operation. At the Paris Exhibition of 1889, 91 French firms were reported. By 1900 the number had fallen to 88, and this in spite of the fact that 25 establishments had adopted the system in the interval. In Germany professors have written exhaustive treatises on the subject; but the working men have been too busy "dreaming on things to come" by way of social democracy to give heed to "such smaller matters of economics as the gradual improvement of their own condition, and the internal development of industrial enterprises." So runs the plaint of one of the learned writers. We hear of only 42 firms in Germany practising profit-sharing: these employ under 30,000 persons. In Switzerland there are 12 firms, in Austria one. In Belgium there is "no prospect of the system becoming general"; while in the United States "the number of firms practising profit-sharing increases only slowly." There is no evidence here of general adoption. And in the recent utterances of one of the most reasonable and convincing advocates of the system, Mr Gilman, one detects a note of disappointment at its slow advance. Cases of abandonment have been numerous, trade unions have been hostile, while employers who have adopted the principle have often been too ignorant to apply it wisely or too eager to use the scheme as an advertisement. "Profit-sharing proper seems, however, to be a counsel of perfection too severe for the caution and the patience of the ordinary employer. Numerous ways and methods of indirect profit-

sharing which have been widely successful will be more acceptable to his prudence or his inertia." Mr Gilman hints here at one reason why "the apparently simple invention" of profit-sharing has not become, as Jevons opined it would, the wonder of an after-age. Critics have had no difficulty in discovering other reasons.

1. *Its account of profits is unsatisfactory.*—It is true that the case for profit-sharing may be presented in very simple guise. "It accumulates an extra fund of profits. Out of this extra profit comes the share of the men whose diligence and care have created it." "From this we see at once," wrote Mr Sedley Taylor, "that an employer who introduces the system is under no necessity of lowering the rate of profits which he has previously been obtaining. He has only to arrange matters in such wise that the share allotted to his employees shall represent no more than the surplus brought in by their improved work." There is no mystery here. If all or some of the men do more and better work they shall receive a higher wage. The extra fraction over and above the market rate will come to them—in a month or a year—labelled "Your share in profits." It is merely a matter of nomenclature, book-keeping, and a little patience. What does the master gain by such an arrangement? He is able to make a better use of his capital. For an increased annual output his fixed charges will be proportionately less.

"Profits" is, however, a very elastic term, as an examination of the balance-sheets of public trading companies would quickly show. In economic theory we are accustomed to speak glibly of it as embracing interest on capital, wages of management, and reward for risk. In business practice, however, there is no one scientific method of reckoning these applicable to all industries alike, and infallible chartered accountants are not always consulted. "Profits" may often cover the vaguest of estimates—*e.g.*, the value of the stock-in-trade at the beginning and at the end of the year, the treatment of depreciation and sinking funds. Again, how is the reward for risk to be measured? Now, as a rule, the profit-sharing employer controls the preparation of the balance-

sheet.[1] What rate of interest shall be assigned to capital out of gross earnings, what salaries to managers, what to depreciation, and what to reserve, rests entirely with him. He has agreed to give a definite share of net profit to his work-people, but in arriving at this net profit there is abundant room for arbitrary disposal of the gross revenue. The case of the Briggs Collieries is the classic example. "There the employees were to get one-half of the net profits remaining after the shareholders had received 15 per cent. In 1873 the fund available for distribution as bonus was decreased, because £30,000 out of the earnings of the last year was invested in a mine, the shareholders getting new shares, but the employees losing £15,000 of bonus. In this case also, 'in addition to the sums divided (as profits), large amounts were placed to depreciation and reserve funds, altogether out of the proportion to what is usual, and the men were thereby deprived of the share which ought to have come to them as bonus.'" We are not implying that the average profit-sharing employer unfairly manipulates his accounts. We are convinced that, in the great majority of cases, he faithfully observes the spirit of his agreement. But we have to imagine this system in general use. The causes of many labour troubles are largely subjective. A method which tends to increase rather than to allay suspicion and misunderstanding is so far to be condemned.

2. *It is doubtfully claimed that the system is the most equitable.*—Under certain rare and ideal conditions it might be so. But that is also true of most systems. In practice it is only a part of the extra fund due to their increased zeal which goes to the employees. And this fund is not, like wages, treated as a first mortgage. It may vanish under the stress of a bad season, or a new competitor, or a blundering manager. In that case the employee has become a loss-sharer. Why he should be called upon to share losses when

[1] "As a rule, the employer is the sole administrator of this system of remuneration, reserving to himself the right of modifying the scheme according to his own ideas, or even to discontinue it altogether, subject to notice. In not a single case have the workmen been allowed a voice in fixing, calculating, or distributing shares in profits."—'Report on Profit-sharing in Germany,' by Prof. Böhmert.

he is denied a share in the management and when he has earned his share of the profits we are not told, but we can understand why Mr Gilman speaks of profit-sharing as an "employers' welfare institution."

Sometimes it is argued "that in virtue of their position as workers the workers should receive a share in the profits." "A substantial and known share of the profits of a business belongs to the workers in it not by right of any shares they may hold, or any other title, but simply by the right of the labour they have contributed to make the profit." Now, profit-sharing does not contemplate the abolition of the wages contract. The essence of that contract is that wages are secured to the labourer whether the enterprise succeeds or fails, while capital and management take profits as the reward of risks undertaken and efforts put forth. In so far as the worker supervises his own work under a profit-sharing scheme he is theoretically justified in receiving a share of profits, because he lessens the employer's task of superintendence, for which profits are in part a payment. But assuming the wage contract, to go on to argue that because the labourer helps to make the profits therefore he ought to share in them as a matter of right and equity is surely to be guilty of confusion. One might as well say "the employer helps to make the wages of his workmen, therefore he ought to share in them." Wealth is the joint production of employer and employed within the State, and the bargain is that one takes his share in profits, the other in wages. That is the wages system. That it is a very unsatisfactory system is another matter, but if we are to introduce notions of equity at all we shall have to carry them much farther than profit-sharers do. We shall have to travel beyond employers and employed, and embrace the community which furnishes the conditions of, and the demand for, their labour. The profits of a typical business are affected by causes beyond the direct control of employers and employed: the prices of raw materials, facilities for transport, the rate of interest, bad debts, tariffs, fashion, the seasons—all reflecting themselves in fluctuations in the price of the finished product. The employee, under profit-sharing, undoubtedly exercises a determining influence

on the profits by his economy in the use of material and efficiency in the application of his labour, but as an employee he has no influence on the other factors which go to the making of the profits and no claim to share in them. That claim, if it rests anywhere, rests with the community as consumers and citizens. It must be obvious to the reader that we are really discussing what is wrongly called the unearned increment. It is earned, but the puzzle is to decide by whom. The advocate of profit-sharing remembers only the deserts of the employer and the employee. He would secure for the latter some definite share in the gains, normal and exceptional, of the former. He claims that this "meets the requirements of justice," inasmuch as the annual yield of a business is decisively affected by general conditions which lie beyond the control of the employer's will, and because the employee is, as a rule, made to bear losses in bad years in the shape of reduced wages and short time. Now, if we are to be so ill-advised as to talk of justice at all, it is plain that the more logical position is occupied by the Socialist who puts forward the claims of the consumer and the citizen, in addition to those of the employer and employee, for a share in the windfalls of industry.

3. *It only partly overcomes the defects of the ordinary wages system, and its advantages may be more directly obtained by easier modifications of that system than are involved in profit-sharing.*—We are all familiar with the defects of the wages system in the forms of time-work and piece-work. The "dry cold contract" leaves an unbridged gulf between employers and employed. The close personal ties of the days of hand labour are no longer possible in the era of machinery and steam. The workman is no longer a serf, it is true, but he is still a hireling and a subordinate policed by superiors. Again, the wages system fails to awaken the interest of the workman in the success of the business, and therefore fails to call out his best energies in its service. It often spoils good workmen, and does little or nothing to improve inferior ones. It leaves latent powers undeveloped. It is too mechanical and unsympathetic in its operation to kindle the devotion of men. "To the most sensitive and

ambitious natures there must be the note of sympathy, appreciation, friendship." Under time-wages the employee receives equal pay for equal time rather than for equal effort; he feels no inducement to do more than will keep him secure in his job; he sees no adequate reason why he should devise better methods of doing his work. "But is this average amount of labour in a given time all the labourer has to sell and all the capitalist has to buy?" asks Mr Livesey. "The labourer can give hearty, interested, intelligent service, but mere day-wages will not buy it. . . . It may be argued that it is the duty of the labourer to give more than his time and an average amount of labour. I question that statement. The wages currently paid are the wages of mediocrity." Piece-work overcomes some of these difficulties. In highly-organised industries where elaborate piece-work lists have been adopted and where changes are adjusted by salaried experts, as in cotton-spinning, the system has been found to give satisfactory results. In others, it fosters scamping by the one party and rate-cutting by the other. Stress of competition may force the employer to reduce the selling price of his product, and, in consequence, to cut down the rate per piece paid to the employee. Or else the employer, unwilling to see an efficient piece-worker receiving an unusually high wage, cuts down rates so that the workman's earnings may be kept at their traditional level. The piece-worker, taught by experience, takes care in future to keep his output below the point at which his rate would be cut.[1]

Profit-sharing, on the other hand, does undoubtedly tend in some degree to unify the interests of employer and

[1] How nicely men are able to adjust their energies to the point of maximum pay may be illustrated from the experience of an employer using an imperfect form of the premium system (see below, page 23). The payment of the premium did not take effect until 5 per cent premium had been earned, and thereafter by increments of 5 per cent. This was found by the firm to be a mistake, "as the men watched that the time they took to their jobs came out at an even 5 per cent, that is 30, 35, 40 per cent, and so on. They might save 31, 36, or 41 per cent of the time, but it was noticed that they never saved 34, 39, or 44 per cent of the time, the reason being that by spending three or four hours more on their jobs they made a bigger premium. When they could not make 5 per cent more, they spent three or four hours extra on their jobs until the time for the next even 5 per cent was up."

employed. It introduces a more human relationship, in so far as it manifests an active desire on the part of the employer to better the position of his work-people simultaneously with his own. He wants greater economy and energy, and is willing to pay for them in the form of deferred wages. He can afford to pay, because the output is greater and the expense of superintendence lower. He is not a dispenser of charity. But over against these advantages must be entered several drawbacks as compared with the wages system.

(*a*) The quickened interest in the prosperity of the business declines when the novelty of the profit-sharing scheme wears off. The receipt of the bonus becomes a matter of course, and energy slackens down to the old orthodox pace. Or the period over which profits are calculated is so long—usually a year—the sharing day so remote, and the share so small when it comes, that the distant prospect of the bonus fails to move men unaccustomed to take telescopic views of life.

(*b*) "Profit-sharing offends against that cardinal principle which demands 'that every man shall receive his own reward according to his own labour.'" Worthy and unworthy, indifferent and industrious, draw indiscriminately upon the extra fund of profits due only to the labour of the section loyal to the scheme. This collective reward of individual service necessarily weakens the stimulus to increased effort, especially in large shops where it is impossible for each person to see that every other is working at full pressure and earning his share of the bonus.

(*c*) Profit-sharing restricts the free movement of the labourer. Sometimes the employees are secured to a firm by having their bonuses locked up in provident funds which cannot be touched until a number of years have been served or until a certain age is reached. The method is analogous in its effects to that whereby workmen are encouraged to invest their savings in erecting houses on land leased from their employers.[1] Sometimes, as we saw, the participator is urged to convert his bonus into shares in the company. Again, from the opposite side, it is less easy for the master

[1] Cp. the case of the quarrymen at Bethesda.

to get rid of men when times are bad. In industries where employment fluctuates greatly this is an important consideration, and limits the application of the plan to the permanent staff, who have least need of it. Whatever the method adopted — excepting the unusual and difficult one of immediate cash payment—the tendency of profit-sharing schemes is to check mobility.[1] One has but to imagine their widespread adoption, and thousands instead of tens of firms made self-contained, to realise the force of this objection.

4. *Profit-sharing offers no answer to the fundamental wages question: how much the workman is to get and how much the master.*—The profit-sharing scheme is an act of grace on the part of the employer. He frames the rules and regulations without consultation, and reserves to himself the power to alter, vary, or annul them at his own pleasure. If we once again consult the figures of Mr Schloss (to whose exhaustive reports we are much indebted throughout this paper), we shall find that the loss or gain of the bonus is not a matter of life and death to the workman.[2] At the best it is rarely more than the groat which Plugson tosses to his noble spinners over and above their three and sixpence daily. Obviously, it is the three and sixpence daily that matters, not the fortuitous fourpence. And the daily wage is still a

[1] "The present fashion of deploring rapid changes of trade and dwelling-place is a most unfortunate one; the ordinary forms of labour do not, as a matter of fact, require such specialised ability that there should be much difficulty in changing from one to another; and surely it is much better for a man to work at several different things at different places in the course of his life than to stick for ever in the same place, surrounded by the same objects, going through the same monotonous round of duties. Anything which will weaken the present obstructive sentiment, and lead people to regard the necessity of a change of employment or residence as a temporary inconvenience rather than a cruel injustice, is to be warmly welcomed."—Dr Edwin Cannan, Presidential Address to the British Association (Section F.), Belfast, 1902.

[2] "With respect to the amount of the addition made to the wages of profit-sharing employees by the share in profits allotted to them as bonus, the mean ratio of bonus to wages in all cases in which details are available, including those cases in which no bonus was earned, was 4 per cent in 1894, 4·7 in 1895, 4·9 in 1896, 7·2 in 1897, 5·5 in 1898, 5·4 in 1899, 6·5 in 1900, 5 in 1901."—Report to International Co-operative Congress, 1902, pp. 155-162.

matter of bargaining. "The contest over this is simply transferred from the trade in general to the firm in particular." Now, under the sliding-scale plan in the coal trade, for example, the ratio of wages to the selling price of coal is determined by bargaining—*i.e.*, by the relative skill and strength of masters and men acting through their representatives. In a trade union wages are similarly agreed upon as the result of bargaining by experts. But profit-sharing *per se* makes no such systematic provision for the settlement of wages. It breeds no miners' agents, no trade union secretaries.

If it is contended that profit-sharing employers pay the trade union rate of wages, and are not unfriendly to the unions, we may admit this to be generally true. At the same time, we must urge that if trade unions are to be encouraged as preliminary and essential to profit-sharing agreements, the workman will be wisely advised to concern himself chiefly with the organisation which looks after his wages and conditions of labour rather than with schemes from above which promise him hypothetical bonuses. There is a certain incompatibility between the principle of profit-sharing and that of the trade societies. The unit in the one is the firm, in the other the trade. The one weakens that trade solidarity which it is the object of the other to strengthen. The one leaves the employer to initiate or abandon his scheme at will, while "the source of strength in a union lies . . . in the protection it gives against caprice of employers" (Bonar, 'Elements of Political Economy,' p. 69). Further, Mr Gilman agrees with Mr Archibald Briggs in claiming "that great or frequent changes in the rate of wages or of interest are in conflict with the fundamental principle" of profit-sharing. "When once either rate has been fixed in a time of average prosperity, it is for the interest, in the end, of both parties to hold to this figure for a considerable period and to look for further remuneration to the variable bonus and dividend." This view may be disputed on general grounds. It may be questioned whether a bonus coming once or twice a-year does less harm to certain grades of workers than comparatively slight deviations from the standard rate would do, were the bonus paid in the shape of increased weekly wages, under some other system than profit-sharing.[1]

The premium system, for example, endeavours to relate directly and immediately the pay of each worker to his effort. The essence of the plan is that, once rates are agreed upon, increase of wages per job to the workman and decrease of expenses per job to the employer move automatically and together. It is specially applicable in shops where there is much repetition work. The method, as described by some Glasgow employers[2] who have adopted it, is, briefly, as follows: Standard times, based upon observation of the pace of average men, are fixed for specific jobs. Each man is paid a regular hourly rate of wages. When a job is given out he is allowed the standard time in which to do it. If he does it in less he becomes entitled to a premium varying with the time saved. If he takes the standard time, or longer, he gets paid his hourly wages for the time taken. He may gain, he cannot lose by the system. For instance, suppose a man is allowed sixteen hours to do a job and does it in twelve hours, he saves four-sixteenths of the time allowed, that is 25 per cent, and accordingly his wages will be increased by 25 per cent for the time worked—that is, if the rate of pay is 8d. per hour the man will receive 8s. as time-wages for the twelve hours worked, and the premium earned will be 2s., equal to 25 per cent of the 8s. His time-wage and premium will thus amount to 10s. for the twelve

[1] We have permission to quote the following relevant passage from a private letter sent to us by a profit-sharing employer: "We found that our scheme unsettled both the best class and the worst class. The best class, or foremen, got a very considerable bonus each year; in a few years they had quite large sums of money in their hands or to their credit. Some of them clubbed together, started to make goods of our distinctive brand, went to our best customers and cut prices. In this way a number of our foremen left, but, as it turned out afterwards, they only lost their own money and for the time upset our prices. Then the other, or worst class, when they had £40 or £50 accumulated, took a fancy to see it in their hands, shifted to other shops with the sole object of getting out their bonuses, and ultimately squandered all their savings."

[2] 'The Premium System of Wage Earning,' by Messrs Barr & Stroud. 'A Premium System applied to Engineering Workshops,' by James Rowan, M.I.M.E.

hours worked. The plan is held to possess several advantages:—

(1) It enables a workman to increase his wages by his own individual effort, and the increase is immediately added to his wages, the premium being paid to the workman each pay-day along with his wages. Unlike profit-sharing, it does not mix up lazy and industrious, or postpone payment to a more or less remote date.

(2) The increased wages of the workman mean also reduced expenses of production to the employer, and there is, therefore, less inducement to cut down rates than under piece-work.

(3) It stimulates the workman to take a greater interest in his work, and to devise methods for shortening the time spent on jobs. It encourages him to point out defects in machinery and tools.

(4) The employee is able to reckon up his earnings without the aid of a chartered accountant, and to determine for himself whether the agreement is being honourably kept.

It is plain that the chief objection to the system is the opportunity it gives an employer of cutting down rates by-and-by, when he finds his workman doing jobs in considerably less than the standard time, and thereby making big premiums. Unless this is properly safeguarded against, we may be sure the plan will fail of its purpose. In the agreement which the Engineers have concluded with the Employers' Federation it is definitely stipulated that "a time limit, after it has been established, should only be changed if the method or means of manufacture are changed" ('Amalgamated Engineers' Journal,' Sept. 1902, p. 72).

There seems to be no good reason why, for certain branches of engineering and kindred trades, elaborate wage-lists, calculated on the basis of time plus exertion plus output, should not be gradually evolved on the analogy of the piece-wage lists in the cotton industry. A premium system was started in Mr Rowan's Marine Engineering Works in February 1898. "The times taken by all the machinemen have, on an average, been reduced during the four succeeding years by 20, 23, 31, and 37 per cent respectively. The earnings of the men have consequently been increased by these percentages.

5. *Profit-sharing is inferior to trade unionism and co-operation as an educational discipline.*—It is claimed for it that it enables the employee to comprehend the difficulties of other positions, and thereby begets sympathy and lessens the number of unreasonable complaints. In so far as variations in the amount of the bonus or its entire absence bring home to the worker the risks and anxieties of business, this is true. But it does this in a very imperfect way. The employee is excluded from all voice in formulating the scheme, and its execution is often entrusted to a chartered accountant who simply announces results. Now that newspapers are widely read, the number of employees under the illusion that profits are due solely to their labour is becoming more and more negligible. The organisation of the modern trade union, with its frequent mass meetings and public discussion of labour problems by the leaders, is an effective instrument for driving home the complex and hazardous character of business. In the South Wales coalfield, for example, hardly a day passes in which some miners' agent is not busy unravelling the mysteries of the latest agreement before his constituents. His speeches are reported in the daily press, and are open to public criticism. The same holds good, in a less degree perhaps, of the co-operative movement, with its committees of management, its quarterly meetings, its conferences, and its various publications. Profit-sharing, on the other hand, provides no such machinery for the ventilation of grievances, the instruction of the workmen, and the formation of public opinion. The experience gained by the workmen's committees in managing provident funds and as directors of companies is not bound up with profit-sharing, and may be obtained equally well without it, in controlling the funds of their friendly and trade societies.

V.

Profit-sharing has passed the experimental stage. Half-a-century of trial in the most varied businesses has clearly shown its possibilities and limitations. Its most ardent supporters admit it to be inapplicable to many employments (*e.g.*, domestic service and teaching), and to be of doubtful use in industries already well managed. "If, in a particular factory," writes Mr Gilman, "the wages system has already been supplemented by the introduction of piece-work, and prizes for economy of material and for increase of production, and if the profits of the establishment depend in a high degree upon the commercial skill of the firm in buying raw material and selling the product, profit-sharing can hardly be expected to improve the situation greatly." Those who, like Dr Bonar, still commend the plan of sharing in profits, urge either that it should be supplemented by a share in direction, or that it should be a step preliminary to the employer resigning in favour of co-operative ownership and management. Without entering in this place into a discussion of these alternative developments of simple profit-sharing, we may insist once more that many of the advantages—we do not say all—claimed for these schemes are within our reach, without serious structural alterations in the ordinary wages system.

The employer wants increased product at a diminishing cost per unit; the employee wants increased real wages, whatever the scheme by which he is paid. The chief stumbling-blocks in the way of their several satisfaction are ignorance and incompetence—not the wages system. Profit-sharing does not overcome these obstacles. Where profit-sharing schemes have failed, the cause has often been the ignorance of the employers who devised them. They have known so little of the accumulated experience of previous employers; they have fallen again and again into the same pitfalls; they have not studied the behaviour of human nature (their own and that of their subordinates) in a given economic situation,—and then they are surprised when their plans are wrecked. Where profit-sharing has conspicuously succeeded it has been

due, as a rule, to the personal ability and magnetism of masters who inspired their work-people with confidence and zeal. Leclaire and Godin, Livesey and Mather, Cadbury and Krupp,—men of their stamp would probably succeed in winning the loyalty of work-people whatever the system in vogue. If we could plant a Chalmers in every parish, many of our poor-law problems would disappear. But the supply of such administrators is extremely limited at present, though it is slowly increasing. Profit-sharing does not produce them. Nor does it even manufacture the competent employer, not to mention the genius who is able to charge the air of a workshop with sympathy and hopefulness and yet, or rather for that reason, is able to share big profits. Now, trade unionism cannot work moral miracles, but it does help to squeeze out the unskilled, impecunious employer working with obsolete machinery. "Placing all employers on an equal footing as to the rate at which they obtain labour, it acts against the weak employers, and puts the destinies of the working-classes in the hands of those who are best able to allow labour an increasing share, and least tempted to reduce wage; and it throws the energies of such employers into reducing their cost by the introduction of the most efficient machinery, processes, and organisation" (Smart,—'Distribution of Income,' p. 294).

The experience of many firms in the United States, and of exceptional ones elsewhere, proves it to be possible to get better returns for employer and employed without recourse to profit-sharing. The reports of the Mosely Industrial Commission, and those of other investigators, show this plainly enough. It is true that Mr Mosely in his preface declares the solution of the whole problem to be "profit-sharing in some shape or form," and that the "Carnegie Steel Works are already commencing to put this into practice." But this does not explain how, *with hardly any cases of profit-sharing*, as properly understood, his other conclusion holds good, that "the true-born American is a better educated, better housed, better fed, better clothed, and more energetic man than his British brother, and infinitely more sober." Perhaps the words to be underlined here are "the

true-born American." Mr Mosely does not tell us how many of the 80 millions of the States are numbered with the elect. Mr Barnes, of the Engineers' Society, considers "the general conditions of living of the American workman in every respect, but that of money and the continuation schools for his children, worse than here in Great Britain." The delegates of the trades unions naturally think the employers have most to learn from a visit to the States. We will not sit in judgment, for the inquiry is being continued by another band of experts. But on several points relevant to our subject there is a consensus of opinion among investigators.

(*a*) The average employer in this country has a rooted prejudice against high wages. That a mechanic or a miner should receive £3 or £4 a-week was unheard of when *he* was a young man, and nobody *then* had time to think of holidays. The American manufacturer has no past, or he has forgotten it. He is not afraid of high wages so long as they mean higher profits. And they generally do. His fixed charges do not mount up in proportion as production increases, and his employees have no temptation to "ca' canny." There is an *effective* demand for energy and economy, and, of course, the supply is forthcoming.

(*b*) American employers and employed welcome new machinery and all forms of labour-saving appliances. They are not afraid of taking the slice out of the poor man's mouth when they can give his children a loaf instead. They do not believe in "making" unnecessary work for superfluous men. They encourage inventiveness by paying for it. "Every hand in the factory, man or boy, woman or child, is constantly striving to discover some improvement upon the existing *régime*, simply because it means profit to themselves." It is not all a matter of climate, as some would persuade us, — it is mainly a matter of cash. Despite our unstimulating weather, the American plan deserves a more wide-spread trial here than it has yet obtained. "Treat your workmen like men instead of machines, utilise their brains, encourage suggestions, lessen the distance between the manager and the men, and the result will be

beneficial to both." Here the common foreman is jealous of the junior with ideas, and either snubs his suggestions or palms them off upon the manager as his own. The manager himself is too exalted or too busy a personage to be approached directly by the man in serge and dungaree.

(*c*) To put the same point in other words, the best employers in Great Britain, as in the States, believe in organisation. That is to say, they are not merely concerned in turning out goods for the market on established lines. Their bias is towards new and improved methods of production, and they are ever on the look-out for such. Mr Mosely's delegates were astonished at the excellent organisation in the best American factories: the economy of muscular effort, the avoidance of waste of time and material, the extreme specialisation, the high speeds, the absence of hustling. One of the commissioners—Mr Holmshaw, of the Sheffield Cutlery Council—urges that to some of our obsolete customs of workshop management may be traced a good deal of the drinking habits of the British workman. "Enforced loss of men's time for trivial causes, through no fault of their own, too often gives the opportunity for leaving work which would not otherwise be sought."

The management of men is certainly no sinecure, but it would be a much easier matter if employers thought it worth while to give half the attention to their "living" machinery that they do to marketing their wares. Mr Mosely might do worse than print some of Robert Owen's oracular sayings as a prologue to his reports. The factory awaits its Pestalozzi and its Froebel. When they arrive we may have continuation schools for foremen, with courses in workshop management and psychology! "They're nothing but a pack of skulkers," is the common remark of the foreman, whose clumsy detective methods are largely responsible for the habits he condemns. "I have never yet put a workman on his honour and been disappointed," said the manager of the Republic Iron and Steel Corporation to one of the commissioners. A famous firm of tool-makers—Browne, Sharpe, & Co.—provides a general protector for its apprentices. "His work is simply to look after the lads'

interests, see that they get variety of work, and are removed from one branch to another at proper times, and to generally encourage and stimulate them, both to their own interests and that of the firm who pays him." Not but what the average American workshops appear to be just as dirty, unsanitary, and congested as the ordinary workshop at home. But far-sighted employers in both countries have found that it pays to study the comfort and cleanliness of their work-people. Headaches and colds, neuralgia and indigestion, do as much to restrict output as the unions do. The unskilled employer "down East" cannot afford to spend money fighting these intangible enemies of large production. "It's not business; there's nothing in it; and, besides, he's busy." Meanwhile his clerks are "feeling below par" every afternoon of their lives. They breakfast at 7.15 in order to sign on at 8.5 A.M. They are allowed an hour for dinner. They spend forty minutes of this in crowded cars travelling to and from a tolerable city restaurant. They retire at 6 to the joys of fireless lodgings and a "concealed" bed. On the other hand, a progressive employer wishes to rearrange working hours so that hundreds of young girls may start work at 8 instead of 6 in winter mornings. He is confronted with the men of a selfish and conservative trade union unwilling to brook a change which might make them late for a Saturday's football match or a trip "doon the watter."

Along lines such as these we may hope for improvement without fundamental alterations in the wages system. We shall still have some of our deepest industrial difficulties on our hands, but we shall have mitigated the hardships they involve. Encourage the workman to control his expenditure in the co-operative store, and his wages, hours, and conditions of labour through his trade society. Let him manage the "natural monopolies" in the common interest through his municipal representatives. Let him mercilessly expose corruption and nepotism in the public services. "JUSTICE" will still elude him, but he will be better off than he is. To entrust, however, the task of managing men and machinery and markets to the labourers themselves does

not appear promising. "So far as we can see at present, the interests of industry will be best consulted by keeping the departments of labour and management quite separate." The receipt of wage is not a mark of slavery, but the conditions surrounding its acceptance may enslave. The way of salvation lies in the effective control of these conditions by an enlightened public opinion acting upon employers and employed. The wise distribution of wealth is not a simple sum in arithmetic to be settled by economic considerations alone. Many have felt with the late Dr Sidgwick "the moral need of some means of developing in the members of a modern industrial community a fuller consciousness of their industrial work as a social function." Profit-sharing and kindred schemes can do something to supply the consciousness. But the fact that many a young collier in South Wales to-day is content with 30s. a-week, when he could earn much more if he wished, is not the fault of the sliding-scale or the Conciliation Board. It is due rather, as Mrs Bosanquet suggests, to his "poverty of interests." Over wide areas of mechanical production machine-minders with monotonous tasks may have to seek their main interests in their hours of leisure. To provide opportunities for wise recreation is therefore as essential a thing as improving the conditions of employment. This is a duty devolving not upon the organisers of industry alone but upon the whole body of citizens. Something may be done to increase harmony and good-will by teaching the broad and simple outlines of social economics in all our secondary schools. At present, the child at school is not taught the sacredness of work, and is not made to feel the claim which the city and the State have on its energies in the workshop of life, be it farm or factory, office or studio, cottage or mansion. Ministers of religion could use their unique opportunities oftener than they do to press home in church and school the organic nature of industry and commerce. Not the least service in this task of higher education might be rendered by a race of enlightened employers who studied men as intensely and as sympathetically as they study the other factors of production.

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